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INTRODUCTION

The Office of Internal Audit performed an audit of Cheboygan/Mackinac County DHS for the period October 1, 2006 through September 30, 2007. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Cheboygan County DHS had 25 and Mackinac County DHS 8 full time equated positions (FTE's) at the time of our review. Cheboygan County DHS provided assistance to an average 3,702 recipients per month in FY 2007, with total assistance payments of \$4,916,212 for the fiscal year. Mackinac County DHS provided assistance to an average 808 recipients per month in FY 2007, with total assistance payments of \$1,071,393 for the fiscal year.

Cheboygan and Mackinac County DHS are Non Business Offices. All disbursements and cash receipts are sent to the Regional Accounting Unit in Oscoda County for processing and recording on LASR.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Cheboygan/Mackinac County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Procurement Card

CIMS/ASSIST/LASR

Payroll and Timekeeping

Cash Receipts

Cash Disbursements

Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

EXECUTIVE SUMMARY

Based on our audit, we conclude that Cheboygan/Mackinac County DHS internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no material instances of noncompliance with control procedures for Procurement Card, Payroll and Timekeeping, Cash Receipts, Cash Disbursements, State Emergency Relief, or Client Processing. However, we did find instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Cheboygan and Mackinac County DHS has reviewed all of the findings and recommendations included in this report. They stated in a memo dated May 9, 2008 that they are in agreement with all of the findings in the report except finding #1 related to CIMS/ASSIST/LASR Security.

FINDINGS AND RECOMMENDATIONS

CIMS/ASSIST/LASR Security

Cheboygan/Mackinac-Appropriate CIMS Job Status & ASSIST Job Profiles for Support Staff

1. Cheboygan/Mackinac County DHS has assigned Client Information Management System (CIMS) status levels and ASSIST job types that are inconsistent with support staff job responsibilities.

The support staff in both counties has “CRS” or “FLM” status on CIMS and ASSIST job profiles 360 and 380 (registration functions).

Internal Control Criteria for DHS states that if a person has the ability to assign new case numbers and register applications in ASSIST and performs the full range of file maintenance transactions on CIMS, this one person has complete control of a transaction.

Assigning the support staff a CIMS status and ASSIST job types that allows them to register and open cases does not allow for the proper separation of duties.

For staff assigned a status level above inquiry on CIMS and registration capability on ASSIST, all of their CIMS transactions appearing on the Transaction Control Report (MA-010) are to be reviewed to ensure they are proper.

WE RECOMMEND Cheboygan/Mackinac County DHS change the CIMS status of the support staff to inquiry or “IRG” only, or have independent staff review all of the their transactions that appear on the Transaction Control Report (MA-010).

Cheboygan/Mackinac-CIMS and ASSIST Enrollment Profile/Security Agreements

2. Cheboygan/Mackinac County DHS did not have current and accurate ASSIST Enrollment Profiles (DHS-3720) and Security Agreements (DHS-3721) on file for staff that access ASSIST. Two staff did not have a DHS-3720 on file.

ASSIST Security Policy requires a DHS-3720 be prepared for all new users of ASSIST, and for all current operators each time an enrollment change is proposed.

A properly completed Security Agreement is necessary to document that the staff understands the responsibilities associated with their access level and that the supervisor has approved the level of access for that staff.

WE RECOMMEND Cheboygan/Mackinac County DHS ensure that all staff who have access to ASSIST have accurate and current ASSIST Enrollment Profiles and Security Agreements on file.

Direct Support Services

Cheboygan/Mackinac-Missing Case Record Documentation

3. Cheboygan/Mackinac County DHS has not followed established policy for the preparation of case record documents in determining eligibility for Direct Support Services (DSS).

Six Cheboygan/Mackinac County DSS payments were selected for case record examination to determine that the case record contained the appropriate documents relating to the Direct Support Services payment. Three of the six cases examined did not have all of the required documents. One case did not have proof of ownership for a car repair. Three cases did not have documentation of need or reason or the Support Services Determination (DHS-4749) on file. One case did not have a payment authorization document on file, two cases did not have a MIS report on file, and one case did not have an estimate for a car repair.

PEM 232 requires the case record to contain the documents in order to determine eligibility and to document the Direct Support Services payments.

Lack of the proper documents to determine eligibility and document a payment increases the risk of inappropriate payments.

WE RECOMMEND Cheboygan/Mackinac County DHS follow established Direct Support Services policy PEM 232 and file all of the required documents in the case record.

Safe and Controlled Documents

Obsolete Controlled Documents

4. Cheboygan/Mackinac County DHS had obsolete Blank Voucher Checks (DHS-1802) on hand. Accounting Manual Item 403 gives instructions for the destruction of obsolete forms. Keeping obsolete forms on hand and not controlling them increases the risk of these forms being used inappropriately.

WE RECOMMEND that the Cheboygan/Mackinac County DHS destroy the obsolete DHS-1802's in accordance with the instructions in Accounting Manual Item 403.